Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
BellSouth Corporation	)	
	)	
Petition for Rulemaking to Change	)	RM-11299
The Distribution Methodology for Shared	)	
Local Number Portability and Thousands-Block	)	
Number Pooling Costs	)	

REPLY COMMENTS OF AT&T INC.[1]

AT&T Inc. ("AT&T") respectfully submits these reply comments on the above-captioned petition by BellSouth Corporation ("BellSouth"),[2] requesting the Commission to initiate a rulemaking to change the distribution methodology currently prescribed in Section 52.32 of the Commission's rules (47 C.F.R. § 52.32) and related Commission orders for shared local number portability ("LNP") and thousands-block number pooling ("TNBP") costs.[3] Despite the entirely predictable, reflexive opposition from carriers that stand to benefit from perpetuating the *status quo*,[4] the record developed in the initial comments is more than sufficient to warrant the Commission revisiting its

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[1] On November 18, 2005, SBC Communications Inc. closed on its merger with AT&T Corp. The resulting company is now known as AT&T Inc. In these comments, "AT&T" refers to the merged company and its wholly-owned subsidiaries, including its ILEC operating subsidiaries, unless otherwise noted.

[2] *BellSouth Corporation Petition for Rulemaking to Change the Distribution Methodology for Shared Local Number Portability and Thousands-Block Number Pooling Costs*, filed Nov. 3, 2005 ("Pet.").

[3] In addition to AT&T, comments were filed by Comptel, the Connecticut Department of Public Utility Control ("CTDPUC"), Cox Communications, Inc. ("Cox"), IDT Telecom, Inc. ("IDT"), Integra Telecom ("Integra"); the National Telecommunications Cooperative Association ("NTCA"), Qwest Communications ("Qwest"), Time Warner Telecom ("Time Warner"), T-Mobile USA, Inc. ("T-Mobile"), the United States Telecom Association ("USTelecom), the Verizon Telephone Companies ("Verizon"), and XO Communications Services, Inc. with Xpedius Communications, LLC ("XO/Xpedius").

[4] *See* Comptel, Cox, Integra, Time Warner, T-Mobile, XO/Xpedius.

prior decision to allocate shared costs among carriers based on revenues, to assure that this process satisfies its statutory obligation to prescribe a "competitively neutral" method for distributing number portability and administration costs.[5]

As BellSouth showed in its petition (pp. 11-14), and as other commenters including AT&T have confirmed, conditions in the telecommunications marketplace have radically changed since the Commission first adopted the present revenue-based allocation methodology for shared LNP costs in 1998.[6] Among the most notable developments, the competitive local exchange carrier ("CLEC") share of access lines increased between 1999 and 2004 from 4.3 percent to 18.5 percent; wireless subscribers more than tripled to 194 million from 1998 to 2005, with concomitant traffic displacement of wireline to wireless minutes of use; and VoIP -- which was not commercially deployed in 1998 -- now claims over 1 million lines.[7] Commenters that oppose any reexamination of the present methodology do not seriously contest that competition has significantly increased since that cost allocation process was first prescribed.[8]

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[5] *See* 47 U.S.C. § 251(e)(2).

[6] *Telephone Number Portability*, CC Docket No. 95-116 and RM 8535, *Third Report and Orde*r, 13 FCC Rcd 11701 (1998) ("*Third Report and Order*"). A revenue-based allocation methodology was also subsequently adopted for shared TBNP costs. *Numbering Resource Optimization*, CC Docket No. 98-200, *Report and Order and Further Notice of Proposed Rulemaking,* 15 FCC Rcd 7574 (2000) ("*Optimization Order*").

[7] *See* Verizon, pp. 2-3 ; s*ee also* AT&T, pp. 3-4; NTCA, p. 2; Qwest, p. 1; USTelecom, p. 2.

[8] *See, e.g.*, CTDPUC p. 3 (conceding that BellSouth is correct that "the competitive landscape has changed since passage of the [1996] Act," yet asserting that "the current level of competition in the telecommunications marketplace *may* not be as robust as that suggested by BellSouth" but proffering no factual support for that speculative contention)(emphasis supplied).

These dramatic market changes have been accompanied by enormous increases in the number of transactions processed by the regional databases that enable number porting and thousand block records changes, as well as in the total amount of the shared costs of those databases that is allocated among carriers under the revenue-based methodology. As Verizon shows (p. 4 n. 6), data compiled by the Number Portability Administration Center ("NPAC") Forecasting Group indicates that, nationally, the number of database transactions almost doubled in each successive year from 2001 through 2004. The estimated national volume for 2005 was in excess of 180 million transactions, and for 2006 NPAC forecasts a further 50 percent increase to over 272 million transactions.

The comments also confirm BellSouth's observation that in many cases the revenue-based allocation methodology is now producing anomalous results when individual carrier's transaction volumes are contrasted with the amount of shared costs allocated to those entities. Specifically, Verizon notes (p. 5) that, its share of the total transactions in the regional databases declined from 3.5 percent in 2001 to 1 percent in 2004.[9] Over the same period, however, Verizon's share of industry costs almost tripled from \$6.6 million to more than \$18 million under the current revenue-based allocation process. Similarly, Qwest shows (p. 3) that for calendar 2005 it generated less than six percent of total transactions for the Western Region database through November, but that for the same period Qwest was allocated about 22 percent of that database's shared costs.

[9] Based on actual and projected data for 2005, Verizon estimates (p. 5) that its 2005 transactions would again represent less than 1 percent of the total.

Nor is this discrepancy limited to large carriers; smaller carriers are also treated inequitably by the current allocation process. As one such example, USTelecom cites the North Pittsburg Telephone Company, which experienced a 65 percent increase in its allocated costs in the space of a single year, although it generated only an insignificant percentage of transactions in the regional data base. In like manner, NTCA states (p. 2) that rural ILECs that comprise its membership make less frequent use of LNP and TBNP capabilities, but nonetheless shoulder a disproportionately large amount of shared industry costs for these functionalities.[10]

The comments also disclose the especially significant fact that – contrary to the Commission's original premise for adopting the present cost allocation methodology – the burgeoning volume of transactions processed by the regional databases increasingly have no connection to intercarrier number porting or number pooling.[11] Rather, as Verizon shows, intra-service provider transactions (in which carriers port numbers within their own networks) and "modifies" (in which the carrier changes an existing record within its own network) now account for nearly half the

[10] Additionally, IDT has pointed out (pp.1-2) several apparent inconsistencies between the manner in which the current revenue-based methodology for porting and pooling costs and the other revenue-based cost allocation mechanisms under the Commission's aegis. Specifically, LNP contributions are based on gross revenues (Form 499 line 420), while Universal Service Fund ("USF") contributions are based on data from the same form (line 423), which excludes uncollectibles and bad debt. This discrepancy in the LNP and TBNP allocation operates to the detriment of carriers that have higher percentages of these revenue impairments. Moreover, the LNP contribution base includes international revenues, but unlike the USF, it does not apply the limited international revenue exemption for carriers whose revenues are largely or exclusively derived from international service.

[11] The Commission reasoned in 1998 that a usage-based distribution process might unduly disadvantage CLECs by shifting shared database costs towards those nascent market entrants, who would presumably be generating large numbers of LNP and TBNP transactions as they acquired new customers. *Third Report and Order*, 13 FCC Rcd at 11745, ¶ 88.

annual volume of database transactions.[12] Such network reconfigurations and grooming directly and materially benefit the carriers that generate them, but offer no concomitant advantages for other carriers that now subsidize those changes under today's revenue-based cost allocation process.

Even some commenters that oppose BellSouth's petition acknowledge that the current shared cost allocation process does not take into account non-carrier users of the regional databases. For example, Cox concedes that provision of data to telemarketers to assist then in complying with do-not-call obligations is just one of the "myriad of applications" in addition to porting and pooling for which those systems are now used .[13] Moreover, NeuStar, Inc. (NeuStar), the national porting and pooling administrator, is "actively marketing various services" that will entail non-carrier use of the databases.[14] All of these current and future non-carrier uses of the databases impose costs that should be borne by those entities, and not by carriers as under the current allocation process.

The circumstances described above, taken together, abundantly justify the Commission reassessing whether the revenue-based allocation methodology continues to serve the competitive neutrality standard of Section 251(e)(2) of the Communications Act. The rulemaking proceeding proposed in BellSouth's petition is the appropriate administrative vehicle in which to conduct that evaluation. AT&T also concurs with BellSouth that NeuStar can materially contribute to the Commission's ability to conduct such a proceeding effectively. Any individual carrier can only provide data on its own

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[12] *See* Verizon, pp. 5-7.

[13] *See* Cox, p. 10

[14] *Id*., p. 11.

allocation of shared costs and the number of billable and non-billable database transactions it generates, and there can be no assurance that all carriers will choose to participate in the Commission's rulemaking. By contrast, NeuStar in its dual capacity as the LNP and number pooling administrator has unique access to detailed information over total industry transaction and cost allocation information that will permit the Commission to develop a comprehensive overview of how its current revenue-based allocation operates in practice.[15] Therefore, as part of the rulemaking the Commission should solicit submission of such industry-wide data from NeuStar, with suitable measures to assure that the confidentiality of carriers' proprietary information is maintained.

[15] Such information from NeuStar will also permit the Commission to compare and verify the accuracy of data that may be submitted in the rulemaking proceeding by individual carriers regarding their own transaction volumes and cost allocations.

CONCLUSION

For the reasons stated above and in AT&T's Comments, the Commission should grant BellSouth's petition and initiate a rulemaking to determine whether changes to the current allocation methodology for LNP and TBNP shared costs are necessary to comply with the "competitive neutrality" standard of Section 251(e)(2) of the Communications Act.

Respectfully submitted,

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I hereby certify that on this 6th day of February 2006, copies of the foregoing "Reply Comments of AT&T Inc." were served by U.S. first class mail, postage prepaid, or via electronic mail on the parties listed below:

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